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SUBJECT: Behind Everyday Low Prices - Consular Outreach to Wal-Mart in Shenzhen. Part 1 of 3.

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11. (SBU) SUMMARY: Employees at Wal-Mart Global Procurement in Shenzhen China told Conoffs during an orientation trip that the company is pleased with how staff are treated when they apply for visas and that that they are interested in working with the consulate to facilitate and improve the working relationship. The procurement office said that Wal-Mart is committed to maintaining high ethical standards in its dealings with suppliers. They also told Conoffs that 73% of Wal-Mart's global imports (not just those going to the U.S.) originate in China and of that amount, 73% are from Guangdong Province. This is the first of three cables about the Consular outreach to businesses in Shenzhen. END SUMMARY

Purpose - Corporate Outreach and Officer Education

12. (U) On August 25, 12 Conoffs and two Locally-Employed Staff (LES) traveled to Shenzhen to meet with three large companies which have large numbers of employees who regularly travel to the United States. This trip continues a tradition of outreach trips organized by entry-level officers (ELOs) in consular positions; the purpose of the trips is to better understand the South China business environment, major corporations' operations in the region and corporate needs for travel to the United States. The companies selected for this trip were: FoxConn, a Taiwan-owned contract manufacturer for many major electronics and computer companies, and its Mainland-based operation Hongfujin Precision Industries; Shenzhen Mindray, a Chinese medical technologies company; and Wal-Mart Global Procurement, the division of U.S. retail giant Wal-Mart. The companies were selected to give officers a perspective on three different industries: electronics manufacturing, medical devices, and retail procurement. In addition, the companies chosen companies have a large and growing number of visa applicants in Guangzhou. The trip was timed to include new officers arriving during the summer transfer season.

Wal-Mart Global Procurement - Stocking Shelves for America

13. (U) Conoffs are well familiar with Wal-Mart Global Procurement (GP), the subsidiary of Wal-Mart responsible for all direct importing activities not just to the United States, but to all

Wal-Mart retail outlets outside of China. Upon leaving the building lobby and entering the second floor offices of GP, Conoffs seemed to have entered a Wal-Mart retail store in any U.S. town. Color schemes, employee work vests, and signage - including quotes from deceased founder Sam Walton - were strikingly similar.

14. (SBU) GP began operations in 2002, and works in close conjunction with corporate buyers in Bentonville, Arkansas. Buyers decide what goes on the shelf, but GP merchandisers find suppliers, execute orders, ensure quality and look for the best possible value. In addition, GP has an ethics and auditing unit that performs factory inspections to ensure that factories do not employ child labor or violate local employment laws. Factories are judged on a traffic light scale of green, yellow, orange, and red with a red violation or repeated orange violations resulting in Wal-Mart ceasing use of the factory as a supplier. A growing number of these audit inspections are unannounced. GP has a strict policy of not allowing any gifts or meals whatsoever to be given to its employees.

15. (SBU) GP has 31 offices world-wide with 1693 employees; Shenzhen is its headquarters. This is largely because 73% of Wal-Mart's imports come from China while an additional 15% come from Southeast Asia. Furthermore, among imports from China, 73% come from Guangdong province (where Shenzhen is located). The high figure may at first sight seem surprising given that Guangdong province accounted for just 31% of China's exports last year, however, Guangdong's status as the "manufacturing floor of the world" and producer of what consumers want makes the high percentage understandable. Mr. Cui said that the number of suppliers from the interior and north of China are increasing. GP's purchases of material from the coastal provinces of Fujian, Zhejiang, Jiangsu, Shandong, Tianjin, and Liaoning, as well as from companies located in the interior of China have increased at more than 20% per year, leading to GP having to shift staff, or hire new staff at satellite

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offices to perform quality assurance and auditing work on these new suppliers.

16. (SBU) GP Director of Administration Kenny Chen and Corporate Travel Supervisor Wendy Zhang told Conoffs that GP merchandising employees are responsible for sourcing suppliers and order execution. Most have spent at least two-to-three years as an assistant merchandiser before promotion, are college educated, and speak English. Merchandisers travel to the United States primarily to meet with buyers and gain a better understanding of the U.S. retail market. While in the United States, the merchandisers also visit Wal-Mart and other retailers' stores to do comparison pricing. Most merchandisers will travel to the United States several times each year. Mr. Chen said that when Wal-Mart suppliers need to travel to the United States, Wal-Mart headquarters in Bentonville arranges for their invitation letters and their travel. Wal-Mart China, a separate division that handles retailing in China, arranges its own employees' travel needs. GP could not comment on the type and numbers of employees from Wal-Mart China traveling to the United States who might require visas. Wal-Mart GP recommended that Conoffs also meet with Wal-Mart China.

17. (SBU) GP was not prepared to discuss salaries or retention of employees in detail but did say the company aims to pay a competitive salary based on local corporate salary surveys in all of its positions. GP also admitted that while its approach was to hire from universities and train internally, its employees at the merchandiser level are highly sought after by other organizations. To help with retention and inculcate the corporate culture into new employees, GP said it selects a group of high-performing assistant merchandisers to attend the Wal-Mart shareholder meeting each year in Bentonville.

18. (SBU) Wal-Mart Global Procurement is a member of the American Chamber of Commerce in Guangdong and uses its Visa Appointment Program for all of its employees who travel to the United States. GP is pleased with the way the program is working and with the visa issuance rate for its employees in Guangdong. GP did state that its employees at the company's smaller satellite offices outside of Guangzhou's consular district have had much less success obtaining

visas to the United States.

Comment - Better Understanding for All

¶9. (SBU) Three factors contribute to the successful relationship between GP and the Congen staff. The first is the familiarity that all visa officers have with Wal-Mart and the retail business in general. The second is that Wal-Mart Global Procurement is one of the largest U.S. companies in Guangzhou's consular district sending many employees each year to apply for non-immigrant visas causing further familiarity with the company. Finally, Wal-Mart Global Procurement is a member of the American Chamber of Commerce in Guangdong (AmCham) Visa Appointment Program. The program requires additional documentation such as an employment verification letter from a designated signatory with the applicant's company and an invitation letter on corporate letterhead. Additionally, these applications are screened before the interview by both the AmCham and Consulate staff. Applicants who use the program must also report their return to the AmCham once their trip is completed. As such, Wal-Mart Global Procurement employees who have been issued visas through this program in the past have all returned on-time, giving the line officer increased confidence in future GP applicants' stated employment, purpose of travel, and likely return.

¶10. (SBU) To facilitate travel for U.S. companies with headquarters in one consular district and small offices in another district within the People's Republic of China, Beijing, Shanghai, and Guangzhou have recently expanded their respective AmCham visa programs. Under the new reciprocity agreement, member companies in any of the three AmCham visa programs can refer their out-of-district employees to the AmCham in the employee's resident consular district (REF C). Post has discussed with consulate colleagues difficulties Wal-Mart Global Procurement has had with employee visa applications outside of Guangzhou; Wal-Mart Global Procurement employees in the company's satellite office in Shanghai may be among the first beneficiaries of this new AmCham reciprocity agreement in Guangdong.

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